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## **INTRODUCTION**

Wayne Metropolitan Community Action Agency entered into contract #BA-05-82002 with the Department of Human Services (DHS) to provide an after-school program for children in the school district. The children participated in activities such as computer lab, tutoring, recreational activities, group discussions, field trips, and family night activities. The contract totaled \$47,154 and covered the period July 18, 2005 through September 30, 2005. Wayne Metropolitan Community Action Agency was reimbursed for the actual costs incurred in providing these services, through submission of monthly billings to DHS.

## **SCOPE**

The Office of Internal Audit performed an audit of Wayne Metropolitan Community Action Agency to determine if their billings were accurate, and if the costs charged were allowable per the terms of the contract and properly supported by the accounting records and other related documentation.

## **EXECUTIVE SUMMARY**

Based on our audit, we concluded that the Wayne Metropolitan Community Action Agency overbilled DHS by a net amount of \$1,076.33. They overbilled for fringe benefits and miscellaneous expenses and underbilled for occupancy, supplies, local transportation, and contractual services. (See Schedule A.)

We also found that Wayne Metropolitan Community Action Agency purchased books and other supplies for the program that caused them to exceed the allowable budget for the supplies line item. These costs are not allowable unless DHS approves a retroactive line item transfer request. If the line item transfer request were approved, the net result

would be that Wayne Metropolitan Community Action Agency underbilled DHS by \$158.07. (See Schedule A.)

Our report recommends that the Field Operations Administration either initiate the process to recoup the overbilled amount of \$1,076.33 or review the additional supplies expenses and determine if it would be appropriate to pursue a retroactive line item transfer to allow some or all of the additional supplies expense.

### **AGENCY RESPONSE**

Wayne Metropolitan Community Action Agency responded on January 10, 2006 that they are in general agreement with this report. They indicated that they are requesting that DHS pursue a retroactive line item transfer to allow the supplies charges in question because they were classified as miscellaneous expense in error, but were allowable supplies charges per the terms of the contract.

### **FINDINGS AND RECOMMENDATIONS**

#### **Salaries**

1. Wayne Metropolitan Community Action Agency billed \$5,057.25 for contracted teachers under the salaries line item. Contract employees are to be billed under the contractual service line item according to the contract budget guidelines. We allowed these costs under the contractual services line item because teacher positions were included in the contract budget.

#### **Fringe Benefits**

2. Wayne Metropolitan Community Action Agency overbilled DHS \$628.75 for fringe benefits due to the actual cost being less than the billed amount. They billed based

on an a fringe benefit rate that was established based on prior year experience, but the actual costs were less in the current year.

#### Occupancy

3. Wayne Metropolitan Community Action Agency underbilled DHS \$611.59 for Occupancy charges due to the general ledger amount being more than the billed amount.

#### Supplies

4. Wayne Metropolitan Community Action Agency erroneously billed books totaling \$2,504 under the miscellaneous line item rather than the supplies line item. The books are program supplies and should have been billed in the supplies line item. Reclassifying the books in the supplies line item will result in Wayne Metro Community Action Agency exceeding the amount allowable per the contract budget. The total audited cost of supplies is \$6,432.14, while the maximum allowable per the contract budget is \$5,197.74, a difference of \$1,234.40. The amount underbilled for supplies is \$1,315.12 under the terms of the contract budget. (See Schedule A).

#### Local Transportation

5. Wayne Metropolitan Community Action Agency underbilled DHS \$46.66 for the Local Transportation line item due to the actual cost being greater than the billed amount.

#### Contracted Services

6. Wayne Metropolitan Community Action Agency underbilled DHS \$1,218 for the contractual services line item. The actual cost of the contracted services was greater than the amount billed.

7. Miscellaneous

Wayne Metropolitan Community Action Agency overbilled DHS \$3,638.95 for Miscellaneous expense. The miscellaneous line item is overbilled due to program supplies being charged to this line item instead of supplies (\$2504), and other costs that were not allowable per the terms of the contract budget.

TANF Eligibility

8. Wayne Metropolitan Community Action Agency served both children who were eligible for Temporary Assistance to Needy Families (TANF) and those who were not eligible. Nine students of the 70 (13%) we tested were not TANF eligible. The contract with DHS required that all children funded by the contract be TANF eligible. Wayne Metropolitan Community Action Agency provided matching funding for this program in excess of 13%. Therefore, no adjustment is necessary for children served who were not TANF eligible.

**WE RECOMMEND** that the Field Operations Administration either:

- Initiate the process to recoup \$1,076.33 in overbilled costs from Wayne Metropolitan Community Action Agency, or
- Review the additional supplies expenses and determine if it is appropriate to pursue a retroactive line item transfer to allow some or all of the additional supplies expense, and adjust the recoupment amount accordingly.

**WE ALSO RECOMMEND** that the Field Operations Administration instruct Wayne Metropolitan Community Action Agency to prepare a revised billing to include the actual, allowable costs incurred for this program. (See Schedule A.)

Schedule A  
Wayne Metropolitan Community Action Agency  
Comparison of Budgeted, Billed, Actual and Allowable Costs  
July 18, 2005 through September 30, 2005

Line Item	Budget	Amount Billed	Audited Cost	Audited & Allowable Cost	Over/(Under) Billed per Audited Amount	Over/(Under) Billed Amount per Audited & Allowable Amount
Salaries	\$17,182.00	\$15,816.03	\$15,816.03	\$15,816.03	-	-
Fringes	3,424.26	3,480.98	2,852.23	2,852.23	\$628.75	\$628.75
					-	
Occupancy	900.00	945.00	1,556.59	1,556.59	(611.59)	(611.59)
Communication	1,050.00	1,011.85	1,011.85	1,011.85	-	-
Supplies	3,697.74	3,882.62	6,432.14	5,197.74	(2,549.52)	-1,315.12
Local Transportation	185.00	194.25	240.91	240.91	(46.66)	-46.66
Contractual Services	9,150.00	9,565.80	10,783.80	10,783.80	(1,218.00)	-1,218.00
Miscellaneous	11,565.00	11,750.89	8,111.94	8,111.94	3,638.95	3,638.95
Total	\$ 47,154.00	\$ 46,647.42	\$ 46,805.49	\$ 45,571.09	\$ (158.07)	\$ 1,076.33